EnerMark Income Fund

1996 Annual Report

Corporate Profile

Contents

Annual General & Special Meeting

The Annual General and Special Meeting of the Unitholders of EnerMark Income Fund will be held at 9:00 a.m. Thursday, April 17, 1997 in the Mayfair Room, Westin Hotel, 320 - 4th Avenue S.W., Calgary, Alberta. Unitholders are encouraged to attend and those unable to do so should complete the Form of Proxy and forward it at their earliest convenience.

The EnerMark Income Fund ("EnerMark" or the "Fund") was created in April of 1996 pursuant to the reorganization of Mark Resources Inc. into a Royalty Trust Fund. EnerMark is an investment trust designed to provide regular cash distributions to investors seeking exposure to the oil and gas industry. It offers the benefits of owning producing oil and gas properties without the exploration risks associated with owning oil and gas common shares. The Fund is the newest member of the Enerplus Group, an employee-owned advisory and management group established in 1985 to provide a wide range of specialized energy related investment services for investors.

With oil and gas common share investments, earnings are retained primarily for reinvestment. With this Fund however, all net cash flow generated from the properties is paid to the Fund's Unitholders after any deductions for debt repayment and capital expenditure funding. The Units are eligible for all RRSPs, RRIFs and DPSPs.

EnerMark holds interests in oil and gas producing properties primarily in western Canada which yielded 20,739 BOE/d in 1996. The Fund is committed to maximizing Unitholders' interests and ensuring long-term, steady cash flow through its strategy of replacing depleted reserves on an ongoing basis. The development and operation of properties in a prudent, cost conscious manner while ensuring the safety of employees, the public and the environment, is also a fundamental strategy of EnerMark.

Highlights

- *Exceeded our original nine month cash distribution forecast of $0.66 per Unit by 23%, having paid $0.81 per Unit for the period from inception to December 31, 1996.*
- *Provided an annualized pre-tax yield of 14.3% based upon the December 31, 1996 closing price of $7.55 per Unit.*
- *Proven and probable reserves were increased by 13% from the Fund's inception.*
- *Spent $73.7 million on property acquisitions to add 14.1 million BOE of reserves at a net cost of $5.23 per BOE.*
- *Maintained a strong proven and probable reserve life index of 12.2 years.*
- *Raised $151 million to finance property acquisitions, reduce bank indebtedness and fund the 1997 capital expenditure program.*
- *Reduced the taxable portion of the 1996 cash distributions to 30% from the original forecast of 42%.*
- *Farmed out 15 wells at no cost to the Fund, resulting in ten successful wells.*
- *Realized $9.3 million from the sale of seismic data, non-core properties, facilities and the farmout of undeveloped acreage.*

Summary

Financial	
Cash available for distribution ($million)	$65,131
Per Unit	$0.81
Long term debt, net of working capital ($million)	$38,357
Net cost of acquiring and developing reserve additions ($/BOE)	$4.85
Daily Production	
Oil & NGL (bbl/d)	13,624
Natural Gas (Mcf/d)	71,154
BOE (BOE/d)	20,739
Reserves (proven and probable)	
Oil & NGL (Mbbl)	62,226
Natural Gas (MMcf)	377,232
BOE (MBOE)	99,949

Message to Unitholders

I am pleased to present the first Annual Report of your Income Fund which was created through the reorganization of Mark Resources Inc., a traditional oil and gas company, into a Royalty Trust Fund. This Report covers the period from April 3, 1996, the effective date of the arrangement, to December 31, 1996. The conversion of Mark Resources Inc. into the EnerMark Income Fund was the first of its kind in Canadian history. To date, it is the only transaction involving the roll-over of all the assets and operations of a large Canadian oil and gas company, evaluated independently at more than $500 million, into an Income Fund.

The principal advantages of the Income Fund include:

- High yield through monthly cash distributions to Unitholders, representing the net disposable cash flow obtained from the sale of oil and natural gas.
- Additions to reserves through development programs and acquisitions at an average cost lower than the industry average finding cost.
- Maximization of the value of the Trust's undeveloped land portfolio through industry farmouts, property swaps or outright sales.
- Reduction in general and administrative costs through economies of scale and a sharp reduction in costs associated with exploration activities.

The Enerplus Group, the largest and the most experienced manager of royalty trust funds in Canada, is proud to be the manager of the EnerMark Income Fund and recognizes the significant contribution of the former Mark personnel to our expertise and strength.

It is with satisfaction that I can report that all the ambitious objectives set by your management for 1996 have been achieved or surpassed. As a result, your Fund has outperformed both the TSE Oil and Gas Producers' Index and the TSE 300 Index in a significant way during the first year of operations.

1996 Highlights

- Cash available for distribution from April 3 to December 31, 1996 was $0.81 per Unit, an increase of 23% over the original forecast of $0.66 per Unit provided in the Plan of Arrangement circular. In addition, the Fund made its first monthly cash distribution in June, two months earlier than projected.
- Annualized pre-tax yield from cash available for distribution was 22% based on the competing cash bid at the inception of the Trust.
- The taxable portion of the 1996 distributions was 30% of the total, a rate significantly lower than the original forecast of 42%.
- Proven and probable reserves increased 13% from April 3 to December 31, 1996. In terms of production replacement, the additions to reserves represented 295% of total 1996 production.
- New reserves were added at a net cost of $4.85 per BOE, a figure significantly lower than the estimated cost of reserve additions by the Canadian industry in 1996.
- The acquisition of the Giltedge property, completed in December 1996, confirmed EnerMark's ability to acquire significant, quality reserves at less than $5.00 per BOE in a very aggressive property market. In addition, this property has excellent low-risk development potential and will be a key part of our 1997 capital expenditure program.

- A new issue of 20,000,000 units was completed in December 1996. The net proceeds of $143 million were used to finance property acquisitions, reduce bank debt and fund the 1997 Capital Expenditure Program.
- EnerMark successfully amalgamated 82% of the personnel of Mark Resources following the approval of the Plan of Arrangement.
- Accounting, Land and Management Information Systems were integrated smoothly, on time and on budget. The merging of all of the Mark and Enerplus personnel to adequate offices was effected in a timely and efficient manner. A long-term lease was signed at an opportune time since the availability of large blocks of contiguous space has dwindled and rates have escalated significantly in the second half of 1996.
- EnerMark owns approximately 600,000 net acres of undeveloped land in Canada and the United States. This is a unique and valuable asset for EnerMark and management is actively pursuing the rationalization or monetization of this land. A total of 20 farmouts or seismic arrangements have been signed to December 31, 1996, calling for 18 firm well commitments. Of these commitments, 15 wells have been drilled with a 67% success rate. In addition, EnerMark realized $2.8 million from the sale of seismic data, facilities and the farmout of undeveloped acreage.
- EnerMark's proven and probable reserves of 100 million BOE represent a reserve life index of 12.2 years.

1997 Outlook

Industry Growth

The creation of EnerMark Income Fund was part of a massive expansion of the trust fund segment within the Canadian oil and gas industry in 1996. The total market capitalization of trust funds in Canada as of December 31, 1996 exceeded $6.5 billion, a five fold increase over the previous year. In addition, a number of income funds applying the mutual fund concept to trust units have been created. The growth of the trust industry has continued in 1997 with the market capitalization standing at approximately $8 billion as of March 1, 1997.

The proliferation of new issues has brought a pause in the price escalation of trust units. However, demand is still strong and we anticipate total market capitalization to increase further to between $12 and $15 billion by the end of 1997.

Acquisitions Market

In the second half of 1996, the property market became much more competitive as a result of the marked increase in the number of trust funds and the stronger financial status of most junior and intermediate-sized oil and gas companies. We anticipate no improvement in the condition of the market during 1997, even allowing for more properties to be offered in the marketplace as a result of the unprecedented number and size of the mergers and acquisitions expected to be completed this year. Notwithstanding the difficulty of acquiring good quality properties at reasonable prices, EnerMark has already entered into an agreement with Quest Oil & Gas Inc. which will result in a significant addition to the Fund's reserves at a price meeting our stringent acquisition criteria.

Distribution Reinvestment and Unit Purchase Plan

Effective March 1, 1997, Unitholders will have the opportunity to participate in the newly adopted Distribution Reinvestment and Unit Purchase Plan. Eligible Unitholders can elect to reinvest their monthly cash distributions into new Units and/or invest up to $5,000 per month into the purchase of new Units directly from Treasury. All fees associated with the plan are borne by the Fund and new Units are purchased on the 20th day of each month at a 5% discount to the preceding 20 day average trading price.

EnerMark's success in 1996 is due primarily to the dedication of our employees and our Board of Trustees. To each of them I wish to express my appreciation and I am certain that they will ensure that EnerMark's objectives are met again in 1997. It is with regret that I note the retirement of Elizabeth McSweeny, effective February 1, 1997. Mrs. McSweeny, as Executive Vice President and Chief Operating Officer, played a very active role in the creation of EnerMark and I would like to thank her for her outstanding contribution. We are fortunate that Mrs. McSweeny has agreed to continue as a Trustee of the Fund.

Marcel J. Tremblay
President and Chief Executive Officer
Calgary, March 2, 1997

1997 Outlook

1997 Objectives

EnerMark is well positioned to strengthen its asset base, pursue strategic acquisitions and achieve cost efficiencies in 1997 through a number of strategies:

- Development activity will focus on areas where value and cash flow can be maximized. Participation is planned in the drilling of 70 gross wells (43 net wells) in areas where EnerMark has a strong technical knowledge base.
- EnerMark has opportunities to increase production volumes through the exploitation of both newly acquired and existing reserves where production infrastructures exist. A production target of 22,735 BOE/d has been set for 1997.
- EnerMark is risk averse. High risk exploration and development prospects are avoided through farmout arrangements with industry partners. The Fund's reserve base of 100 million BOE will be maintained or increased through low cost development projects and acquisitions.
- The reduction of operating costs is a priority. This will be achieved through the rationalization of landholdings, the maximization of production and the regular review of costs. The 1997 target is to maintain operating costs at or below $4.60 per BOE.
- In 1997, our goal is to maintain administrative expenses at a level of $0.94 per BOE.

Capital Expenditure Program

In 1997, EnerMark will continue its program to develop projects which are expected to maintain reserves and increase returns to the Unitholders. It is anticipated that $29 million of capital will be spent in 1997 primarily on development drilling, the construction of facilities, well workovers and well completions.

The Fund plans to direct 83% of its capital expenditures to production enhancement. Approximately 79% of all expenditures will be operated by the Fund.

Proposed Quest Acquisition

Acquisition opportunities are continuously evaluated as they become available. In February, 1997, the Fund and Quest Oil & Gas Inc. ("Quest") entered into an agreement to participate in a proposed plan of arrangement whereby the shareholders and warrantholders of Quest will dispose of their securities for a total consideration of approximately $139 million. The Quest securityholders will receive, at their election, either cash or Trust Units of EnerMark. The Trust Units will be valued at their average trading price on the TSE over the ten trading days ending on the sixth trading day prior to the date of the meeting of Quest securityholders to approve the proposed arrangement, which is anticipated to be held on or before April 18, 1997. Holders of 35% of the outstanding Quest Common Shares have entered into a hard lockup agreement to vote in favour of the proposed arrangement. Closing is expected to occur in April 1997.

Quest's assets are balanced equally between oil and gas, have a reserve life index of 14 years and offer significant upside development potential.

Cash Distribution Objective

Our 1997 objective for cash available for distribution is $1.00 per Unit, based on operations as at December 31, 1996. This objective includes revenues that are anticipated as a result of the 1997 capital program.

EnerMark remains committed to providing Unitholders with superior investment returns through the pursuit of growth opportunities and the efficient ongoing management of operations.

Factors Influencing Cash Available for Distribution

The 1997 cash available for distribution target of $1.00 per Unit is based on the following factors:

	Daily Production	Prices
Crude oil and NGL	15,864 bbl/d	WTI US$21.50/bbl
Natural gas	68,710 Mcf/d	$1.61/Mcf
Total BOE	22,735 BOE/d	

Sensitivities for Cash Available for Distribution

Factor	Variance	Impact
Crude oil and NGL price	±$1.00/bbl	±4.8¢/Unit
Natural gas price	±$0.10/Mcf	±2.1¢/Unit
$Cdn/$US Exchange Rate	±US$0.01	±1.6¢/Unit

Some assumptions used at the time the objective was prepared, although considered reasonable by EnerMark, may prove to be incorrect. Investors are cautioned that the objective is based on assumptions and there is a significant risk that actual results will vary, perhaps materially, from the objective presented.

Operations Review

Production

Production from inception to December 31, 1996 of oil, natural gas and NGL averaged 20,739 BOE/d. Development projects planned for 1997 and the addition of the Giltedge property, which was acquired September 1, 1996, are forecast to increase production during 1997.

1996 Key Producing Properties	Liquids (bbl/d)	Natural Gas (Mcf/d)	Total (BOE/d)
Utikuma	2,000	650	2,065
Valhalla	1,120	7,200	1,840
Giltedge	1,700	-	1,700
Deep Basin	270	12,800	1,550
Little Horse	1,440	-	1,440
Kaybob South	450	5,550	1,005
Pine Creek	110	6,600	770
Progress	190	5,600	750
Heward	580	-	580
Valhalla Doe Creek	570	-	570
Battle Creek	460	-	460
Gift	450	-	450
Calling Lake	-	4,100	410
Maidstone	380	-	380
Webster	-	2,500	250

Drilling Activities

Since its inception, EnerMark has participated in the drilling of 24 gross wells or 5.3 net wells, with an average working interest of 22%. The well count was split evenly between vertical and horizontal wells. An additional 15 wells were farmed out at no cost to the Unitholders resulting in 5 oil wells, 5 gas wells and 5 dry holes, for a success rate of 67%.

EnerMark's plans for 1997 include the drilling of 70 gross wells or 42.7 net wells, with an average working interest of 61%. The Fund expects to operate 47 of these proposed wells. An additional number of wells are also anticipated to be farmed out in 1997.

Drilling activity and results from inception to December 31, 1996	Gross	Net
Development wells		
Oil	14	3.2
Gas	8	1.9
Dry	2	0.2
Total	24	5.3
Success rate	92%	96%
Farmout wells		
Oil	5	
Gas	5	
Dry	5	
Total	15	
Success rate	67%	

Acquisitions and Divestments

The acquisition and divestment program proved successful in 1996, with a total of 14,087 MBOE proven and probable reserves acquired at an average cost of $5.23 per BOE. This compares very favourably to the industry average acquisition cost of $6.17 per BOE.

EnerMark disposed of 258 MBOE of proven and probable reserves for $2.5 million, which is equivalent to $9.62 per BOE.

Non-producing assets, consisting mainly of facilities and seismic data, generated $2.8 million for the Fund.

In 1997, EnerMark plans to purchase additional reserves in core areas and to dispose of non-core properties in a continuing effort to further increase control and efficiency.

Development Activities

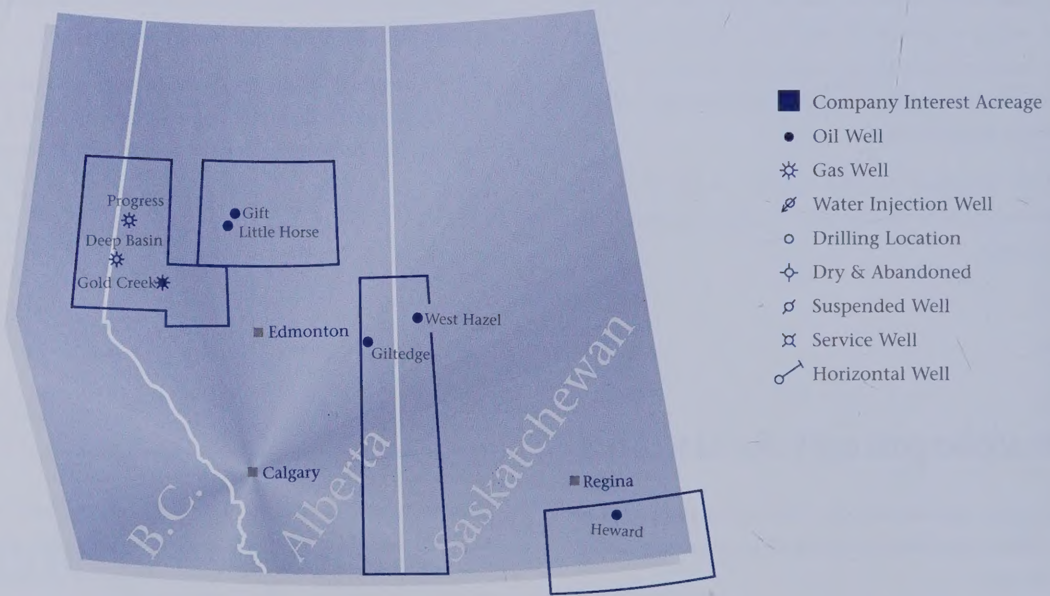
Development expenditures for the period amounted to $12.3 million and added 2,752 MBOE at an average cost of $4.47 per BOE.

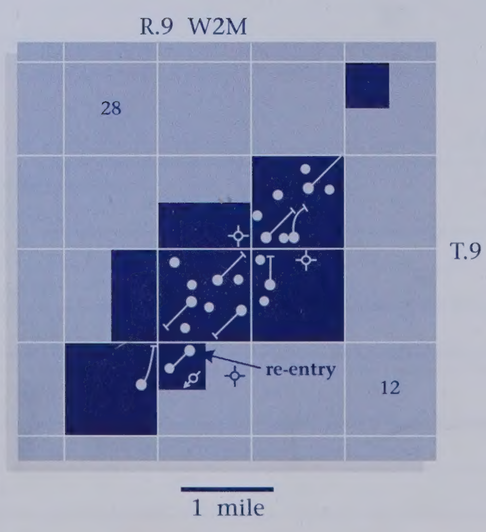
EnerMark participated in the drilling of 24 development wells, with most of the activity taking place in Heward, Tatagwa, West Hazel, Gift and Progress. Increased production was also achieved by facility construction and well tie-ins undertaken at Balsam, Webster, Gold Creek and Malmo.

Net Cost of Reserve Additions

	Reserves (MBOE)	Cost ($/BOE)
Acquisitions	14,087	$ 5.23
Divestments	(258)	$(9.62)
Development expenditures	2,752	$ 4.47
Revisions	258	N/A
Total	16,839	$ 4.85

Major Activities



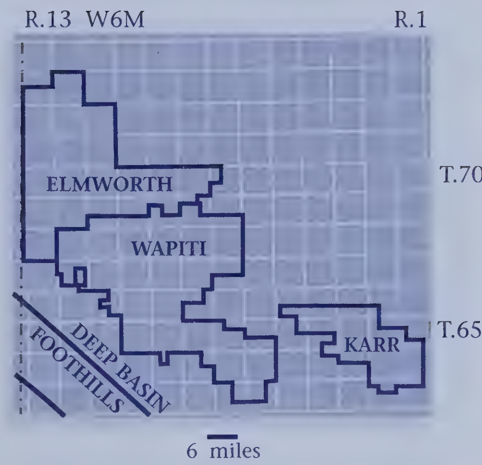


Heward, Saskatchewan

- 3,213 gross acres, 2,623 net acres;
- Operated property with an 80% working interest;
- Horizontal Frobisher oil well drilled in 1996 with an initial production rate of 320 bbl/d net;
- Central battery upgrade scheduled for completion in the first quarter of 1997 with an anticipated increase in net production of 340 bbl/d;
- 1997 capital expenditures include the installation of high volume pumps on a number of wells, the drilling of one horizontal well and the horizontal re-entry of an existing well.

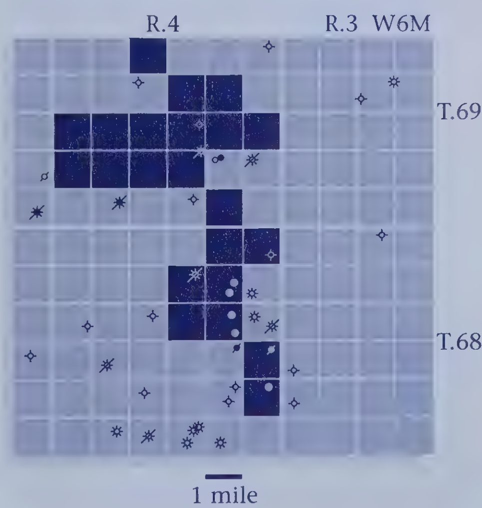
Deep Basin, Alberta

- 375,080 gross acres, 34,996 net acres;
- Non-operated property with a 9% working interest;
- Reserve life index of 19.7 years;
- Largest gas producing area within the Fund, producing 14.3 MMcf/d of natural gas;
- Acquired 2.5 MMcf/d of natural gas in the last quarter of 1996;
- Eight wells drilled in 1996 to maintain delivery;
- Plans for ten additional wells to be drilled in 1997.



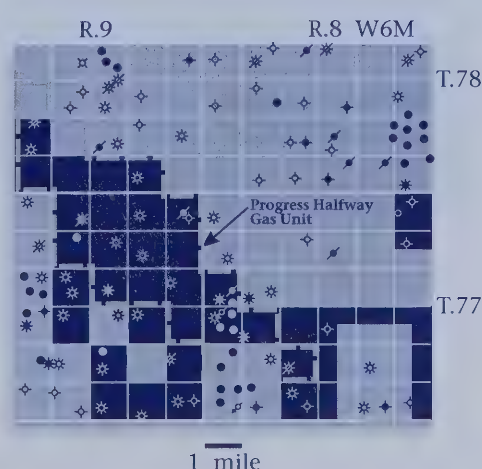
Gold Creek, Alberta

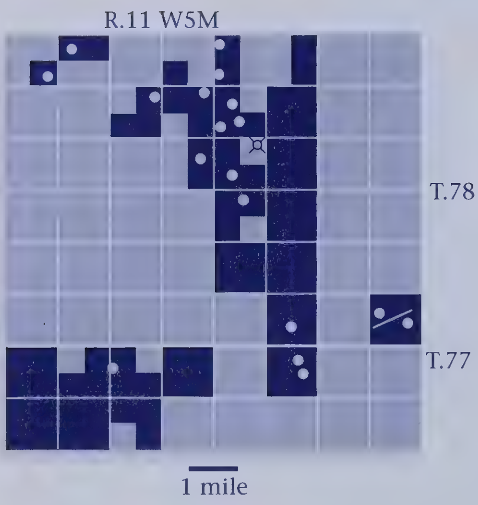
- 12,928 gross acres, 7,360 net acres;
- Non-operated property with a 57% working interest;
- Charlie Lake oil well placed on stream in 1996 at 1.3 MMcf/d of gas and 65 bbl/d of oil;
- Further development potential through farmout arrangements.



Progress, Alberta

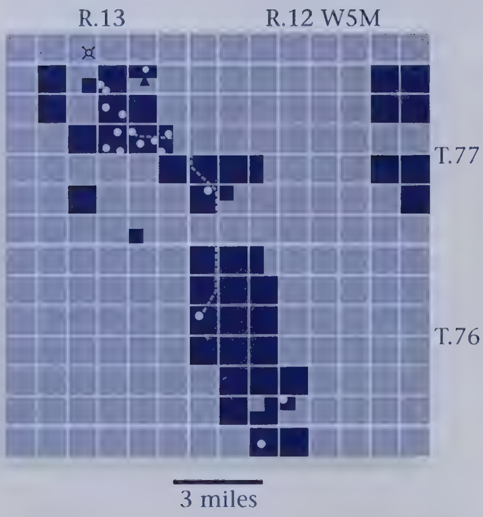
- 19,360 gross acres, 4,395 net acres;
- Non-operated property with a 23% working interest;
- Gas well drilled and tied-in in 1996, adding 1 MMcf/d of natural gas;
- Total working interest production of 6 MMcf/d of natural gas;
- Three additional wells scheduled in 1997.





Gift, Alberta

- 12,160 gross acres, 5,553 net acres;
- Operated property with a 46% working interest;
- Two Gilwood wells drilled in 1996, adding 100 bbl/d;
- Plans to drill one horizontal Slave Point well in 1997;
- Currently producing 450 BOE/d.

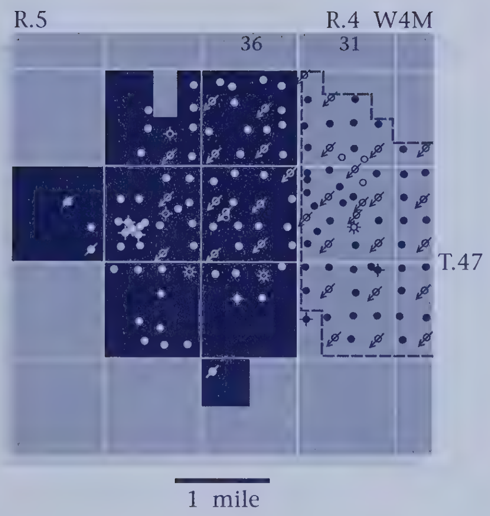


Little Horse, Alberta

- 25,120 gross acres, 15,143 net acres;
- Operated property with a 60% working interest;
- Removal of regulatory production restrictions added 200 bbl/d in 1996;
- Central battery expansion scheduled for early 1997 expected to add 240 bbl/d;
- Working interest production averaged 1,450 bbl/d in 1996;
- Anticipate drilling up to five wells and adding high volume lift pumps in 1997.

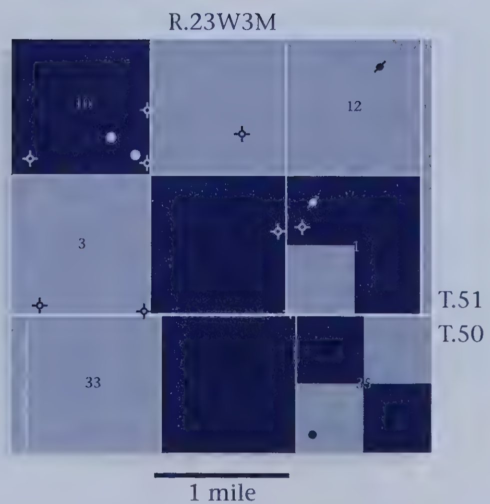
Giltedge, Alberta

- 5,045 gross acres, 4,832 net acres;
- Operated property with a 96% working interest;
- Purchased September 1, 1996;
- 14 wells scheduled for drilling in 1997. Additional wells may be drilled depending upon drilling results achieved.



West Hazel, Saskatchewan

- 2,779 gross acres, 1,390 net acres;
- Non-operated property with a 50% working interest;
- Drilled two Mannville oil wells in 1996, adding 50 bbl/d to the Fund;
- Five additional follow-up wells are planned for 1997.



Undeveloped Land Base

EnerMark's undeveloped land inventory in the western provinces is 431,161 net acres with 65% located in Alberta, 25% in Saskatchewan and 10% in British Columbia.

Activities directed toward the monetization of the undeveloped land base resulted in 18 farmout well commitments, at no cost to the Fund, and $5.0 million of divestment proceeds. EnerMark has retained a gross overriding royalty on 80% of the divested properties allowing the Fund to share in any upside potential that may result on these lands. To date, 15 of the 18 wells have been drilled, resulting in five gas wells, five oil wells and five dry holes.

Land Inventory	**Developed**		**Undeveloped**	
Area	Gross Acres	Net Acres	Gross Acres	Net Acres
Alberta	1,006,725	154,578	490,734	280,471
British Columbia	238,965	26,048	126,751	45,005
Saskatchewan	60,997	28,797	127,501	105,685
Manitoba/N.W.T.	6,753	1,710	-	-
Total Canada	1,313,440	211,133	744,986	431,161
Total United States	46,834	11,384	174,059	168,444
Total	1,360,274	222,517	919,045	599,605

Seismic Inventory

EnerMark has a seismic inventory of 59,255 km of two dimensional data and 502 km^2 of three dimensional data.

Seismic data sales generated proceeds of approximately $0.9 million in 1996.

Marketing Arrangements

Natural Gas

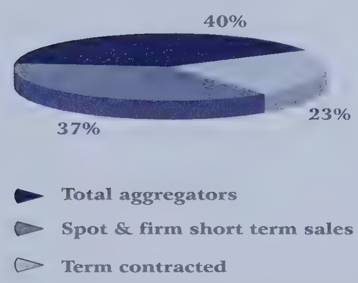
Last summer's strong demand to refill storage caverns, which were severely depleted during the 1995/96 winter, and the demands of the early 1996 winter weather served to push overall 1996 North American natural gas prices to record highs. However, western Canadian prices continued to lag behind the strong American markets because of a lack of pipeline export capacity. Additional export capacity is anticipated to be developed in the latter part of 1998 which is expected to strengthen the western Canadian market.

EnerMark benefited from its diverse market portfolio under which 40% of its sales volumes (28 MMcf/d) were marketed to the large aggregators: Progas, PanAlberta, and TransCanada Gas Services. These companies have the ability to use their export capacity to access the higher priced U.S. markets. The average price received from the aggregators in 1996 increased 58% from 1995.

The balance of EnerMark's natural gas is marketed through a diversified portfolio of contracts comprised of fixed and indexed price contracts with terms varying from day-to-day ("spot pricing") to five year terms. EnerMark is continuing to increase its exposure to strategic geographic market regions within its balanced sales gas portfolio.

The average field price received for EnerMark's gas production was $1.53/Mcf. This compares favourably with the average Alberta monthly spot price for the same period of $1.20/Mcf.

Natural Gas Contracts



Crude Oil

The average price of WTI as quoted on the NYMEX for 1996 was US$22.00/bbl compared to US$18.40/bbl for 1995. Despite Iraq returning to the OPEC supply side of the equation, world crude oil prices have remained substantially above previous years. Colder weather played a significant part in sustaining oil prices this past year. EnerMark received an average wellhead price of $27.26/bbl for its oil and NGL production. The NYMEX WTI for the corresponding nine month period ended December 31, 1996 was US$22.83/bbl.

None of EnerMark's crude oil production was hedged during 1996.

Reserves and Future Net Revenues

The following tables reflect EnerMark's reserves of crude oil, natural gas and NGLs which have been evaluated by the Fund. Sproule Associates Limited, a firm of independent petroleum engineers, has audited 84% of the Fund's total reserves. All evaluations of future net production set forth in the tables are stated without any provision for income taxes, general and administrative costs and management fees. It should not be assumed that the discounted value of estimated future net revenues is representative of the fair market value of the estimated petroleum and natural gas reserves.

Reserves Reconciliation

	Crude Oil (Mbbl)		Natural Gas (MMcf)		NGL (Mbbl)		BOE (MBOE)	
	Proven	Probable	Proven	Probable	Proven	Probable	Proven	Probable
Opening reserves at April 3, 1996	22,725	13,629	300,546	114,200	7,396	3,589	60,176	28,638
Production	(3,274)	-	(19,567)	-	(473)	-	(5,704)	-
Divestments	(83)	-	(613)	(1,120)	(2)	-	(146)	(112)
Acquisitions	11,463	1,666	6,237	758	228	30	12,315	1,772
Drilling and development	1,653	436	4,774	1,306	43	12	2,173	579
Revisions	4,782	(1,845)	(16,259)	(13,030)	758	(507)	3,914	(3,656)
Reserves at December 31, 1996	37,266	13,886	275,118	102,114	7,950	3,124	72,728	27,221

Present Worth of Production Revenue

Present Worth Discounted at (thousands)	10%	12%	15%
Proven producing	$359,945	$333,364	$301,426
Proven non-producing	148,642	129,979	107,723
Total proven	508,587	463,343	409,149
Probable	114,113	97,260	78,442
Total reserves	622,700	560,603	487,591
ARTC	16,443	14,172	11,753
Total	$639,143	$574,775	$499,344

Reserves Summary

	Crude Oil (MMbbl)	Natural Gas (Bcf)	NGL (MMbbl)	BOE (MMBOE)
Total as at April 3, 1996	36.4	414.7	11.0	88.9
Proven	37.3	275.1	8.0	72.7
Probable	13.9	102.1	3.1	27.3
Reserves at December 31, 1996	**51.2**	**377.2**	**11.1**	**100.0**

Pricing Assumptions

To calculate the present value of future cash flow, the December 31, 1996 pricing assumptions of Sproule Associates Limited for crude oil and natural gas were used. These forecasts are adjusted for any reserve quality adjustments, transportation charges and the provisions of any applicable sales contracts.

	Crude Oil		Natural Gas
Year	WTI [1] Cushing, Oklahoma $US/bbl	Light Crude [2] Edmonton $Cdn/bbl	TCGS[3] Average Plant Gate Price $Cdn/MMbtu
1997	20.00	26.58	1.65
1998	20.39	26.85	1.80
1999	21.27	27.77	2.08
2000	22.18	29.00	2.19
2001	23.13	30.28	2.32
Thereafter[4] 4.5% to 2011, 3.0% thereafter			

[1] West Texas Intermediate at Cushing, Oklahoma.
[2] Edmonton refinery postings for 40° API, 0.4% sulphur content crude.
[3] Average prices for long-term gas sales contracts by TransCanada Gas Services Limited ("TCGS").
[4] Average percentage escalations per year.

Net Asset Value

Net Asset Value as at December 31, 1996

($million, except per Unit amounts)

Present value of crude oil, natural gas and NGL reserves discounted at 12 percent	$ 574.8
Working capital	21.5
Undeveloped acreage and seismic	53.8
Bank loan	(59.8)
Net asset value	$ 590.3
Net asset value per Unit	$ 6.33

Environment and Safety

EnerMark continues to emphasize the priority and importance of creating and maintaining a safe and environmentally sound operation. Our mandate in this area focuses on the following:

- **Proper training of field operators is integral to improved safety and environmental performance.**

  EnerMark has developed and continuously reviews and updates its Operator Training and Development Program to ensure that all operating staff receive the appropriate operating, safety and environmental training to perform their jobs safely and efficiently.

- **Continuous thorough review of our operating procedures and policies are conducted by the field operations staff and management.**

  EnerMark field employees attend regular meetings to discuss operational issues and changes in regulations and company policies. As well, all operating staff attend bi-annual regional meetings which enable a larger forum for input from field personnel. Senior management participates directly in these regional meetings to ensure ideas are incorporated appropriately into policies and procedures.

- **Monitoring and compliance with safety and environmental regulations.**

  EnerMark conducts annual audits on operated and non-operated properties using third-party services to ensure environmental and safety standards are being improved and maintained.

EnerMark's safety and environment group continually monitors changes to regulations governing safety and environment to ensure that its operations adhere to industry standards.

This group also reviews all acquisitions to ensure that new properties carry no significant safety or environmental liabilities.

Management's Discussion & Analysis

1996 Financial Results

for the period from inception on April 3, 1996 to December 31, 1996

The financial statements presented in this initial annual report include the results of operations of the Fund from its inception on April 3, 1996 to December 31, 1996. The Fund was created pursuant the reorganization of Mark Resources Inc. into a Royalty Trust Fund.

Revenue

Gross revenues were $132.4 million in 1996. Oil and NGL production averaged 13,624 bbl/d, while natural gas averaged 71,154 Mcf/d. The average oil and NGL price was $27.26 per bbl with natural gas averaging $1.53 per Mcf. The following table details the gross revenues during the period.

1996 Revenues ($millions)	
Crude oil and NGL revenues	$ 102.1
Natural gas revenues	29.9
Other oil and gas revenues	0.4
	$ 132.4
Crude oil and NGL/gas ratio	77:23

Expenses

The net royalty rate applicable to the Fund's oil and natural gas revenues was 20% and comprised of $22.3 million in crown royalties, $4.8 million in freehold and other royalties, net of $1.3 million in ARTC.

Operating expenses were $25.9 million, or $4.60 per BOE.

General and administrative expenses were $5.3 million, or $0.94 per BOE.

Management fees of $2 million, or $0.35 per BOE, are calculated based on 2.5% of net Canadian oil and gas operating revenues and expenses.

Interest expense was $5.8 million, which included $1.3 million paid for interim financing related to acquisitions. Interest expense is expected to decline in 1997 due to lower debt levels.

Depletion, depreciation and amortization which is based on the historical costs brought forward from Mark plus expenditures incurred by EnerMark, amounted to $44.1 million in 1996. The charge for depletion and depreciation on a BOE basis was $7.81. Included in this amount is a provision of $1.3 million, or $0.23 per BOE, for future site reclamation and abandonment expenditures.

Deferred income taxes were $2.1 million. Current taxes of $0.3 million were incurred by the Fund's U.S. subsidiary. Capital taxes amounted to $1.5 million.

Funds Flow from Operations & Net Income

Funds flow from operations for the period from April 3, 1996 to December 31, 1996 was $66.0 million.

Net income of $19.8 million was recorded for the same period.

Cash Available for Distribution

Cash available for distribution, which consists of funds flow from operations less amounts attributable to Units held by a wholly-owned subsidiary of EnerMark Inc., was $65.1 million or $0.81 per Unit.

Cash available for distribution is paid out by way of monthly cash payments to Unitholders on the 20th day of each month, with a supplemental adjustment included for each quarter end.

Income Taxes

The Fund is required to file an income tax return on an annual basis. Any income otherwise taxable in the Fund is allocated to Trust Unitholders. Approximately 30% or 24 cents per Unit of the 1996 cash distribution was currently taxable for EnerMark Unitholders. EnerMark expects the taxable portion of distributions to be unchanged in 1997 excluding the impact of the potential Quest acquisition.

The Fund qualifies as a mutual fund trust under the Canadian Income Tax Act and, accordingly, Units of the Fund are qualified investments for RRSPs, RRIFs and DPSPs.

The following is a general summary of the income tax consequences to a Unitholder who is a Canadian resident and holds the Units as a capital property:

- Unitholders are required to include in computing income their pro-rata share of any taxable income earned by the Fund in that year. Income of a Unitholder is considered income from property and not resource revenue.
- An investor's adjusted cost base in a Trust Unit equals the purchase price of the Unit less any non-taxable cash distributions received from the date of acquisition. In general, Unitholders will have a capital gain or a capital loss upon disposition of the Units.

Liquidity and Capital Resources

During the period, $143 million, net of issue expenses, was raised through a public offering of 20,000,000 Units at a price of $7.55 per Unit. A portion of these funds was used to acquire properties and retire bank indebtedness. The balance will be used to fund the 1997 capital expenditure program. As at December 31, the Fund's net bank loan/equity capital structure was as follows:

Bank loan/equity structure ($millions)	Amount	Percentage
Trust Unit equity, at cost	$412.1	91%
Bank debt, net of working capital	38.4	9%
Total	$450.5	100%

As at December 31, 1996 the Fund had an unused line of credit of $115.2 million.

Capital Expenditure Funding

The ongoing capital expenditures of the Fund are financed through new issues of Trust equity, bank borrowing and funds from operations.

Bank loan principal payments , interest and capital expenditures are allowable deductions from cash otherwise available for distribution to Unitholders. During the period, no amounts were withheld from cash available for distribution for bank loan payments or capital expenditures.

Net capital expenditures for the period amounted to $76.7 million. Expenditures were incurred for property acquisitions of $73.7 million with drilling and facility construction accounting for $12.3 million. Net divestments of undeveloped land, properties, facilities and seismic data amounted to $9.3 million.

Reconciliation of Revised Forecast of Consolidated Statement of Funds from Operations & Net Income

For the year ended December 31, 1996 (thousands of dollars except per Trust Unit amounts)

	Actual	Revised Forecast	Variance Favourable/ (Unfavourable)
Revenues			
Oil and gas	$174,500	$171,200	$3,300
Royalties	(36,600)	(39,100)	2,500
Alberta Royalty Tax Credit	1,700	1,700	-
Interest income	400	500	(100)
Total Revenues	$140,000	$134,300	$5,700
Expenses			
Production	36,100	34,700	(1,400)
Administration	6,900	7,400	500
Interest	8,000	8,100	100
Management fees	2,000	1,900	(100)
Capital taxes	1,400	1,600	200
Current income taxes	300	-	(300)
Total Expenses	$54,700	$53,700	$(1,000)
Funds from Operations	85,300	80,600	4,700
Depletion, Depreciation and Amortization	59,000	57,100	(1,900)
Deferred Income Tax	5,200	6,000	800
Net Income	$21,100	$17,500	$3,600

Revenues

Higher oil and gas revenues of $3.3 million resulted from ($millions)

Higher oil and natural gas liquid prices	$ 2.5
Higher natural gas prices	1.4
Other	(0.6)
	$ 3.3

Royalties: Royalties were lower due to gas cost allowance adjustments relating to natural gas crown royalties.

Production expenses: Higher than expected workover costs as well as increased maintenance expenditures in the fourth quarter were responsible for the increase in production expenses.

Depletion, depreciation and amortization: The provision was higher mainly due to the depletion of undeveloped lands which was not anticipated in the Revised Forecast.

Business Risks

Certain risks are associated with the finding, development, producing and marketing of oil and gas products. In addition, the oil and gas industry is subject to federal and provincial government intervention.

Commodity pricing is another risk faced by energy companies such as EnerMark. Management may forward sell crude oil and natural gas under certain circumstances in order to mitigate price risk.

While EnerMark has no control over commodity pricing and changes in legislation, including changes to the ARTC, the Fund has developed several strategies to mitigate these risks. For example, new property acquisitions must meet the following criteria:

- Evaluated by independent engineers where purchase price exceeds $2 million;
- Purchase price not to exceed present worth of estimated future net cash flow using a discount rate equal to the lesser of:
    - twice the yield on 20 year Government of Canada bonds, and
    - the yield on 20 year Government of Canada bonds plus 8%;
- At least 70% of net asset value represented by proven reserves;
- Not more than 25% of net asset value attributable to a single pool;
- Located in western Canada, unless otherwise approved by the Board of Directors; and
- Properties are to require modest expenditures only, the purpose of which is intended to maintain, realize or enhance production capability.

Furthermore, the following strategies help mitigate risk:

- Farm out exploratory or other high-risk drilling prospects;
- Participate in low risk exploration and development activities;
- Use reliable suppliers;
- Monitor pipeline and market conditions closely;
- Market products to a diverse range of buyers;
- Meet or exceed industry standards for liability insurance and purchase business interruption insurance for selected facilities where available;
- Keep abreast of current affairs to act quickly and proactively where possible; and
- Use the latest technology to improve all facets of business processes.

Management's Responsibility

Management of the Fund is responsible for the preparation of the consolidated financial statements for the EnerMark Income Fund and for the consistency therewith of all other financial and operating data presented in this annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely information.

External auditors, appointed by the Fund's Trustees, have examined the consolidated financial statements of the Fund. The Audit Committee, consisting of unrelated Trustees of the Fund, has reviewed these statements with Management and the auditors, and has recommended their approval to the Board of Trustees. The Board and the Trustee have approved the consolidated financial statements of the Fund.

Marcel J. Tremblay
President and Chief Executive Officer

Kelly I. Drader
Senior Vice President and Chief Financial Officer

Auditors' Report

To the Trustees of EnerMark Income Fund:

We have audited the consolidated balance sheet of EnerMark Income Fund as at December 31, 1996 and the consolidated statements of net income and accumulated income and changes in financial position for the period from inception, April 3, 1996 to December 31, 1996. These financial statements are the responsibility of the Fund's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1996 and the results of its operations and the changes in its financial position for the period from inception, April 3, 1996 to December 31, 1996 in accordance with generally accepted accounting principles.

Price Waterhouse
Chartered Accountants
Calgary, Alberta
February 28, 1997

Consolidated Balance Sheet
as at December 31, 1996

	($thousands)
Assets	
Current assets	
Cash and short-term investments	$ 11,795
Accounts receivable	26,073
Other	4,320
	42,188
Property, plant and equipment	547,046
Accumulated depletion and depreciation	(41,983)
	505,063
Deferred reorganization charges	5,050
Accumulated amortization	(757)
	4,293
	$ 551,544
Liabilities and equity	
Current liabilities	
Accounts payable	$ 17,109
Payable to related company (*Note 3*)	3,599
	20,708
Bank debt (*Note 2*)	59,837
Deferred income taxes	53,189
Accumulated site restoration	5,723
	118,749
Equity	
Fund capital (*Note 4*)	436,433
Accumulated income	19,838
Accumulated distributions	(44,184)
	412,087
	$ 551,544

Signed on behalf of the Fund:

Andrew Janisch
Trustee

Marcel J. Tremblay
Trustee

Consolidated Statement of Net Income and Accumulated Income

for the period from inception April 3, 1996 to December 31, 1996
($thousands, except Unit and per Unit amounts)

Revenues	
Oil and gas sales	$ 132,423
Crown royalties	(22,300)
Alberta Royalty Tax Credit	1,304
Freehold and other royalties	(4,768)
	106,659
Interest income	114
	106,773
Expenses	
Operating	25,928
General and administrative	5,287
Management fee (*Note 3*)	1,983
Interest	5,776
Depletion, depreciation and amortization	44,074
	83,048
Net income before taxes	23,725
Capital taxes	1,517
Deferred income taxes (*Note 5*)	2,076
Current income taxes (*Note 5*)	294
	3,887
Net income and accumulated income	$ 19,838
Net income per Trust Unit	$ 0.27
Weighted average number of Trust Units outstanding during the period	73,833,765

Consolidated Statement of Changes in Financial Position

for the period from inception April 3, 1996 to December 31, 1996

($thousands)

Operating activities	
Net income	$ 19,838
Depletion, depreciation and amortization	44,074
Deferred income taxes	2,076
Funds flow from operations	65,988
Non-cash working capital	(37,607)
	28,381
Financing activities	
Issue of trust units	145,333
Cash distributions to Unitholders	(44,184)
Bank loan payments	(57,024)
Other	236
	44,361
Investing activities	
Property, plant and equipment	(90,023)
Proceeds on sale of property, plant and equipment	13,308
Site restoration and abandonment	(674)
	(77,389)
Decrease in cash and short term investments	(4,647)
Cash and short term investments at inception	16,442
Cash and short term investments, end of period	$ 11,795

Notes to Consolidated Financial Statements

for the period from inception April 3, 1996 to December 31, 1996
(tabular amounts shown in $thousands, except Unit and per Unit amounts)

Note 1: Summary of Significant Accounting Policies

(a) Organization

EnerMark Income Fund (the "Fund") was formed for the purpose of effecting an arrangement under the Business Corporations Act (Alberta), involving, among other things, the exchange of Mark Resources Inc. ("Mark") securities for securities of the EnerMark Income Fund (the "Arrangement"). The effective date of the Arrangement was April 3, 1996.

The Fund is an unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to a Declaration of Trust. The beneficiaries of the Fund (the "Unitholders") are holders of trust units issued by the Fund (the "Trust Units"). The Fund is a limited purpose trust whose purpose is to invest in securities of its wholly owned subsidiary EnerMark Inc. ("EnerMark"), invest in royalties granted by EnerMark, administer the assets and liabilities of the Fund and make distributions to the Unitholders all in accordance with the Declaration of Trust.

The Management of the Fund prepares its financial statements following accounting policies generally accepted in Canada. The following significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

(b) Basis for Accounting

The consolidated financial statements include the accounts of the Fund, EnerMark and EnerMark's subsidiaries. All transactions between the Fund, EnerMark and EnerMark's subsidiaries have been eliminated for purposes of these consolidated financial statements.

(c) Property, Plant & Equipment - Oil & Gas

The Fund follows the full cost method of accounting. All costs of acquiring oil and gas properties and related development costs are capitalized and accumulated in separate cost centres for each country. Maintenance and repairs are charged against earnings, and renewals and enhancements, which extend the economic life of the property, plant and equipment are capitalized. During 1996, general and administrative costs of $2,116,000 were capitalized. No interest expenses have been capitalized.

Gains and losses are not recognized upon disposition of oil and gas properties unless such a disposition would significantly alter the rate of depletion.

(d) Ceiling Test

The Fund places a limit on the aggregate cost of property, plant and equipment which may be carried forward for amortization against revenues of future periods (the "ceiling test"). The ceiling test is a cost recovery test whereby the capitalized costs less accumulated depletion and site restoration are limited to an amount equal to estimated undiscounted future net revenues from proven reserves based on year-end prices, plus the unimpaired costs of non-producing properties less estimated future general and administrative expenses, site restoration costs, management fees, financing costs and income taxes. Future distributions to Trust Unitholders, whether or not they are required under the Trust Indenture, are not considered future financing costs for purposes of the ceiling test. Costs and prices at the balance sheet dates are used. Any costs carried on the balance sheet in excess of the ceiling test limitation are charged to earnings.

(e) Depletion and Depreciation

The provision for depletion and depreciation of oil and gas assets is calculated using the unit of production method based on the Fund's share of proven reserves before royalties. Reserves are converted to equivalent Units on the basis of approximate relative energy content.

(f) Site Restoration and Abandonment

The provision for estimated site restoration costs is determined using the unit of production method and is included in depletion, depreciation and amortization expense. Actual site restoration costs are charged against the accumulated liability.

(g) Other Equipment

All other equipment is carried at cost and is depreciated over the estimated useful lives of the assets at annual rates varying from 10% to 30%.

(h) Joint Venture

Substantially all oil and gas production exploration activities are conducted jointly with others. Accordingly, the accounts reflect the Fund's proportionate interest in these activities.

(i) Cash Distributions

Cash distributions are calculated on an accrual basis and are paid monthly to the Unitholders based upon funds available for distribution. *(See Note 6).*

(j) Foreign Currency Translation

Foreign currency balances of foreign subsidiaries are translated into Canadian dollars using the temporal method. The monetary assets and liabilities are translated at the prevailing rates of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average rate of exchange during the month the transaction occurred. Any resulting gains and losses are included in earnings.

(k) Income Taxes

The Fund is an inter vivos trust for income tax purposes. As such, the Fund is taxable on any income which is not allocated to the Unitholders. The Fund intends to allocate all income to Unitholders. Should the Fund incur any income taxes, the funds available for distribution will be reduced accordingly. Provision for income taxes is recorded in EnerMark, and its subsidiaries, at applicable statutory rates.

Note 2: Bank Debt

EnerMark has banking arrangements for a revolving, extendible production credit facility (the "Facility") from a Canadian chartered bank in the amount of $175,000,000. As at December 31, 1996, $115,200,000 was unutilized. During the revolving period of the Facility, only interest payments are required. The Facility is reviewed annually. In the event the revolving period is not extended, an automatic term loan facility results requiring monthly interest payments with principal repayments made quarterly over a maximum period of five years. Interest charged on bank indebtedness is incurred under several pricing options, however, the maximum rate incurred will generally be the bank's prime rate. Substantially all of the assets of EnerMark are provided as security for the Facility in priority to all royalties or other securities of EnerMark held by the Fund.

Note 3: Related Party Transactions

An agreement has been entered into with EMR Resource Management Ltd. ("EMR") to provide management, advisory and administration services to the Fund and EnerMark. As at December 31, 1996, $3,599,000 was payable to EMR.

In addition to the fees reported on the Consolidated Statement of Net Income, EMR earned fees of $1,779,000 in relation to certain property acquisitions and divestitures of EnerMark. These amounts are included in the cost of property, plant and equipment.

Note 4: Fund Capital

(a) Reconciliation of Fund capital as at April 3, 1996

Mark equity as at December 31, 1995	$ 307,771
Shares issued pursuant to Mark's employee stock option and savings plan and exercise of stock options	10,841
Net income of Mark, January 1, 1996 to April 2, 1996	1,285
Ceiling test writedown arising from the Arrangement, net of deferred income taxes of $4.7 million	(7,500)
Payment on the unsecured, subordinated $2 notes issued pursuant to the Arrangement	(113,724)
Exchange of Mark 7% and 8% convertible debentures into Trust Units	100,000
Costs associated with the Arrangement, net of deferred income taxes of $6.0 million	(7,573)
Fund capital as at April 3, 1996	**$ 291,100**

(b) Authorized: unlimited number of EnerMark Income Fund Trust Units

Issued:	Units	Amount
Inception of the Fund, April 3, 1996	72,861,919	$ 291,100
Issued for cash:		
Pursuant to Option Plans	369,461	2,385
Pursuant to public offering	20,000,000	142,950
Redeemed	(240)	(2)
Fund capital as at December 31, 1996	**93,231,140**	**$ 436,433**

The Fund issued 20,000,000 Trust Units at a price of $7.55 per Unit pursuant to a short form prospectus, which closed on December 3, 1996. Costs of the issue were $8,050,000 and have been recorded as a reduction of Fund capital. Units are redeemable by Unitholders at any time, on demand, at 85% of the market price in effect from time to time.

(c) Unit Options

On August 22, 1996 a special resolution was passed approving a Trust Unit Option Plan (the "Option Plan") for trustees, directors, officers, employees and consultants of the Fund or its affiliates and related parties involved in the management of the Fund.

Granted, during the period	2,989,652
Exercised, during the period	(319,505)
Cancelled, during the period and reserved under the Option Plan	(133,223)
Outstanding at December 31, 1996	2,536,924
Balance of Trust Units reserved under the Option Plan	4,443,571
Total Trust Units reserved under Trust Unit Option Plan	6,980,495

Outstanding Trust Unit Options are exercisable until December 31, 1999 at $6.45 per Unit.

In addition to the Option Plan, certain previous employees of Mark who accepted positions with EnerMark were granted options for 390,000 Trust Units exercisable at $6.48 per Unit. Of these, 49,956 were exercised and 30,000 cancelled during the period. As at December 31,1996, 310,044 options remain exercisable until December 31, 1999.

Note 5: Income Taxes

From April 3, 1996 to December 31, 1996 the Fund had taxable income of $19.8 million or 24.2 cents per Unit which was allocated to the Unitholders. Taxable income of the Fund is comprised of income on securities issued by EnerMark less deductions for Canadian oil and gas property expense ("COGPE"), which is claimed at a rate of 10 percent on a declining balance basis and the allowable portion of the cost of issuing new Trust Units during the period. Any losses which occur in the Fund must be retained in the Fund and may be carried forward and deducted from taxable income for a period of seven years. The amount of COGPE and issue costs remaining in the Fund are as follows:

	Per Unit	Amount
COGPE	$ 0.28	$ 26,754
Issue costs	0.09	7,950
Total	$ 0.37	$ 34,704

The provision for income taxes in the consolidated statement of net income and accumulated income represents an effective tax rate different than the Canadian statutory tax rate. The differences are as follows:

For the period from April 3, 1996 to December 31, 1996	
Net income before taxes	$ 23,725
Computed income tax expense at the Canadian statutory rate of 44.64%	$ 10,591
Increase (decrease) resulting from:	
Non-deductible crown royalties and other payments	9,669
Federal resource allowance	(8,920)
Provincial rebates	(376)
Alberta Royalty Tax Credit	(582)
Non-deductible depletion	2,098
Interest expense on EnerMark securities	(10,495)
Alternative minimum tax on U.S. operations	294
Other	$ 91
Provision for income taxes	$ 2,370

As at December 31, 1996, property, plant and equipment included $50,732,000 of costs which have no tax base for income tax purposes.

Note 6: Cash Available for Distribution

Reconciliation of cash available for distribution

Funds flow from operations	$ 65,988
Deduct funds flow attributable to Units held by wholly-owned subsidiary	(857)
Cash available for distribution	$ 65,131
Cash available for distribution per Unit	$ 0.810

Cash available for distribution per Unit was paid to Unitholders as follows:

For the period ended	Payment Date	Record Date	1996 Monthly Payment	1996 Quarterly Total
April 30	June 20	June 10	$ 0.075	
May 31	July 20	July 10	0.075	
June 30	August 20	August 10	0.100	$ 0.250
July 31	September 20	September 10	0.075	
August 31	October 20	October 10	0.075	
September 30	November 20	November 10	0.110	0.260
October 31	December 20	December 10	0.075	
November 30	January 20, 1997	December 31, 1996	0.075	
December 31	February 20, 1997	February 10, 1997	0.150	0.300
Cash available for distribution			$ 0.810	$ 0.810

Note 7: Subsequent Event: Proposed Plan of Arrangement

The Fund and Quest Oil & Gas Inc. ("Quest") have entered into an agreement to participate in a proposed plan of arrangement whereby the Shareholders and Warrantholders of Quest will dispose of their Common Shares and Warrants of Quest, valued at $2.35 per Quest Common Share and $0.15 per Quest Warrant, for a total of approximately $139 million, and receive, at their election, either cash or Trust Units of EnerMark. The Trust Units will be valued at the average trading price of the Trust Units on the TSE over the ten trading days ending on the sixth trading day prior to the date of the meeting of Quest Securityholders to approve the proposed arrangement, which is anticipated to be held on or before April 18, 1997. Holders of 35% of the outstanding Quest Common Shares have entered into a hard lockup agreement to vote in favour of the proposed arrangement. Closing is expected to occur in April 1997.

The completion of the plan of arrangement is conditional upon, among other things, completion of Regulatory and Securityholder approval.

Detailed Statistical Review

	for the period from inception April 3, 1996 to December 31, 1996 ($thousands, except per Unit amounts)
Financial	
Gross oil and gas sales	$ 132,423
Cash available for distribution	$ 65,131
Per Unit	$ 0.81
Net income	$ 19,838
Per Unit	$ 0.27
Capital expenditures, net of dispositions	$ 76,715
Total assets	$ 551,544
Bank debt, net of working capital	$ 38,357
Net bank debt/annualized funds flow ratio	0.4x
Market price per Unit	
High	$ 7.90
Low	$ 6.20
Close	$ 7.55
Volume traded (000 units)	71,751
Operating	
Production	
Crude oil and NGL (Mbbl)	3,747
Per day (bbl)	13,624
Average selling price (per bbl)	$ 27.26
Natural gas (MMcf)	19,567
Per day (Mcf)	71,154
Average selling price (per Mcf)	$ 1.53
MBOE	5,703
Per day (BOE)	20,739
Reserves (proven and probable)	
Crude oil and NGL (Mbbl)	62,226
Natural gas (MMcf)	377,232
MBOE	99,949
*Reserve Life Index (years)	
Crude oil and NGL	11.2
Natural gas	14.1
BOE	12.2

* The reserve life index is based on reserves and production levels contained in EnerMark's total proven and probable reserve study dated December 31, 1996

Detailed Statistical Review

for the period from inception April 3, 1996 to December 31, 1996
($thousands, except per Unit amounts)

Cash available for distribution		
Funds flow from operations	$	65,988
Less funds flow attributable to Units held by wholly-owned subsidiary		(857)
Cash available for distribution	$	65,131
Cash available for distribution per Unit	$	0.81

Oil and gas economics ($ per BOE except percentage data)		
Gross royalty rate		20.5%
Alberta Royalty Tax Credit		(1.0)
Net royalty rate		19.5%
Weighted average selling price	$	23.48
Net royalty expense		(4.57)
Operating expense		(4.60)
Cash netback	$	14.31
General and administrative expense		(0.94)
Management fee		(0.35)
Profit margin	$	13.02

Distribution Reinvestment & Unit Purchase Plan

EnerMark Income Fund has developed a convenient method of reinvesting cash distributions or investing additional funds into new Trust Units. Residents of Canada who hold a minimum of 100 Trust Units may participate in the Plan.

Features of the Plan include:

New Units are purchased monthly at a 5% discount with reinvested distributions;

Optional cash payments of up to $5,000 monthly may be made to purchase new units at the same 5% discount regardless of whether monthly distributions are being reinvested;

No service charges or brokerage fees are incurred by Unitholders and all administrative costs of the Plan are borne by the Fund;

Participants will receive regular statements regarding their purchases.

If your units are held for you by your broker, investment dealer or other financial intermediary, you must direct that company to complete the necessary authorization forms.

You can make an optional cash payment when enrolling in the Plan by enclosing a cheque or money order payable to "The R-M Trust Company" with the completed authorization form.

For more information and/or enrolment forms, please contact the Investor Relations Department at 1-800-319-6462.

Annual Information Form

A copy of the Annual Information Form is available upon request by writing to: Investor Relations, Suite 1900, 700 - 9th Avenue S.W., Calgary, Alberta T2P 3V4 or calling 1-800-319-6462.

Corporate Information

Trustees

(1) Audit Committee
(2) Environment and Safety Committee
(3) Compensation Committee
(4) Mrs. McSweeny retired from her position as Executive Vice President and C.O.O. of Enerplus Energy Services Ltd. effective February 1, 1997.

Head Office

Western Canadian Place
1900, 700 - 9th Avenue S.W.
Calgary, Alberta T2P 3V4
Telephone: (403) 298-2200
or: 1-800-319-6462
Fax: (403) 298-2211

Related and Associated Entities

EMR Resource Management Ltd.
EnerMark Inc.

Legal Counsel

Blake Cassels & Graydon
Calgary, Alberta and
Toronto, Ontario

Auditors

Price Waterhouse
Calgary, Alberta

Bankers

The Canadian Imperial Bank of Commerce
Calgary, Alberta

Transfer Agent

The R-M Trust Company
Calgary, Alberta
1-800-387-0825

Stock Exchange Listings

The Toronto Stock Exchange
Montreal Exchange

Trading Symbol

Trust Units: EIF.UN

Officers

Marcel J. Tremblay
President and C.E.O.

Kelly I. Drader
Senior Vice President, C.F.O. and Corporate Secretary

Karen A. Genoway
Senior Vice President

Dennis R. Gieck
Senior Vice President

Patrick J. Cairns
Vice President, Evaluations

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Assistant Treasurer

Christina S. Meeuwsen
Assistant Corporate Secretary

Abbreviations

ARTC	= Alberta Royalty Tax Credit
bbl	= barrel
bbl/d	= barrel(s) per day
Bcf	= billion cubic feet
BOE	= barrel of oil equivalent (10 Mcf gas = 1 bbl crude oil)
BOE/d	= barrel of oil equivalent per day
Mbbl	= thousand barrels
MBOE	= thousand barrels of oil equivalent
Mcf	= thousand cubic feet
Mcf/d	= thousand cubic feet per day
NGL	= natural gas liquids
MMbbl	= million barrels
MMbtu	= million British thermal units
MMcf	= million cubic feet
MMcf/d	= million cubic feet per day
NGL	= natural gas liquids
NYMEX	= New York Mercantile Exchange
TSE	= The Toronto Stock Exchange
WTI	= West Texas Intermediate at Cushing, OK.

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